

CHAPTER 2

Baltimore, Maryland: A Neighborhood Investment Strategy Paying Off

Equity Agenda at-a-Glance

Strategic Approach	Targeted investments (primary); data driven and partnerships and collaborations (secondary)
Timeframe	2000-present
Catalyst(s)	Loss of population and disinvestment in the city Election of Martin O'Malley as mayor
Form of Government	Strong Mayor elected every four years 14 council members elected by district; council president elected at-large; all elected every four years
Key Leaders	Martin O'Malley, mayor Sheila Dixon, city council president Mark Sissman, president, Healthy Neighborhoods, Inc.
Agenda Focus	Increase assets of low and moderate-income families Economic equity

Introduction

Baltimore's equity agenda has embraced a market-based strategy for addressing ongoing population loss, a soft housing market, a glut of vacant land and boarded houses, and a weakened civic culture. The goal is to reverse a long-term trend of disinvestment in city neighborhoods by "revitalizing the local real estate market and by motivating residents to become directly involved in strengthening and promoting the positive aspects of their neighborhoods."¹

¹ Great Neighborhoods, Great City: Revitalizing Baltimore Through the Healthy Neighborhoods Approach by David Boehlke for the Goldseker Foundation.

In the absence of state and federal resources that had been available in the past, the city is investing in neighborhoods with problems but also with residual strength, in hopes that as property values rise in these communities, the resultant higher tax revenues can help address entrenched problems in the poorest areas.

The centerpiece of the equity agenda is the Healthy Neighborhoods Initiative (HNI), begun in 2000. HNI's founders believe that by "systematically encouraging positive neighborhood-directed investment in strong neighborhoods and expanding over time to adjacent neighborhoods, more and more of Baltimore's neighborhoods will successfully compete to attract and retain neighbors able and willing to invest time, effort and money where they live."² According to Michael Sarbanes, executive director of the non-profit Citizens Planning and Housing Association (CPHA), "Healthy Neighborhoods was designed to target places where a little marginal investment would get the market going, with the idea being that there isn't really another market. It's impossible to make the investment that would get the market going in other places."

The targeted neighborhoods are places considered to be "strong but undervalued." In theory, a relatively limited public investment should suffice to encourage higher rates of home ownership in these neighborhoods. This will increase home values, market individual neighborhoods to potential homeowners, create high standards for property improvements, and build stronger connections among neighbors.³ Kent Marcoux, executive director of Faith Fund, Inc., says, "I am very impressed with the city's focus on neighborhood development, a lot of it driven by what certainly seems to be a pretty sophisticated understanding of neighborhoods and markets."

Since the outset of the equity agenda, Baltimore's real estate market has rebounded, crime has fallen, and city government is facing surpluses instead of deficits in its annual budget. This budget surplus has allowed the city to focus resources on high-poverty neighborhoods, which it was unable to do during the deficit years. At the same time, more sophisticated data tracking technology in place in city hall has led to much more transparency and accountability.

2 <http://www.ci.baltimore.md.us/neighborhoods/mhninitiative.html>.

3 Ibid.

Demographic and Historical Overview

According to Mayor Martin O’Malley’s 2006 State of the City speech, Baltimore endured 50 years of population flight, “losing, during the 70s, 80s and 90s, about 1,000 people every month.”⁴ The result, as seen in Table 1, was that by 2003, Baltimore’s population was only 71 percent of its population in 1970. In the same period, the population in the metropolitan area grew about 25.8 percent. Baltimore is now home to about 24.5 percent of the metropolitan population compared to 43.4 percent in 1970. Council Member Mary Pat Clarke says, “We had a million people in 1950. And we’re down to about 630,000 now. And a lot of the loss occurred between 1989 and 1994, which was a real bottoming out time for Baltimore City. Now they say we’re only losing 33 people a month.”

Table 1: Total Population, Baltimore and Metro Baltimore

Date	City	MSA	City population as percent of MSA
1970	905,759	2,089,092	43.4
1980	786,775	2,199,531	35.8
1990	736,014	2,382,172	30.9
2000	651,154	2,552,994	25.5
2003	643,304	2,627,622	24.5

Source: SOCDS Census Data, <http://socds.buduser.org/Census/screen3.odt>

As Tables 2 and 3 indicate, median household incomes in both Baltimore and its metropolitan region have trailed the national average since 1970. The poverty rate in Baltimore has been higher than the national average since 1970 as well. Baltimore’s labor force participation rate is not only lower than the national average rate, but has decreased further in the last decade. The low labor market participation rate has contributed to myriad other problems. Columnist Jason Zengerle wrote in 1998, “Like so many other ‘smoke stack’ cities decimated by the shift away from an industrial economy, Baltimore is plagued with violent crime, faltering schools, and high unemployment.”⁵ According to Mayor O’Malley, during the decade of the 1990s, “while the Baltimore region created 67,000 new jobs, Baltimore City lost 60,000 jobs.”⁶

4 2006 State of the City address. <http://www.ci.baltimore.md.us/mayor/>.

5 “Up in Schmoke,” *The New Republic*, v219, No 6, pp 19-23. August 10, 1998.

6 2006 State of the City address.

Baltimore's labor force participation rate is low compared to both that of its MSA and the average for other U.S. central cities. In 2004, *Baltimore Sun* Columnist Jamie Smith Hopkins wrote, "For reasons as diverse as motherhood, criminal records, old age and simple hopelessness, half of Baltimore's adults are not working. That puts an extra burden on those who are working and goes a long way toward explaining the strain on the city's finances." Smith Hopkins characterized the city's low labor force participation rate as "a symptom of other problems — a tragic combination of individual missteps, poverty and unhelpful public policy." The city's other problems include tens of thousands of city residents with criminal records and a widespread lack of education: nearly a third of Baltimore adults have not finished high school. If anything, this trend might be worsening: in recent years, close to half of Baltimore high-school students have dropped out before earning a diploma. Smith Hopkins added, "There are about as many jobs as working-age adults in Baltimore, but many require high school or college degrees. While lower-skill employment has swelled in the suburbs, from Aberdeen to Columbia, those jobs are difficult — or impossible — to get to without a car. One out of three city households has no vehicle."⁷

One result of Baltimore's devastated economy has been a fiscally strapped local government. By 1991, policymakers had recognized their budgetary issues but seemed unable to reverse the trend.⁸ Eight years later, the city faced a \$153 million structural deficit, made worse by the changing make-up of the city population. Smith Hopkins wrote, "The tens of thousands who moved out in the latter part of the 1990s had higher salaries than those who remained, according to federal tax data. The average Baltimore resident makes roughly half as much — and pays half as much in state and local income tax — as the average Marylander. The flourishing suburbs that surround the struggling city also pay a price. Population loss and inflation have eroded Baltimore's tax and fee revenues by \$250 million over the past decade, and the state has been forced to pick up the slack. Ten years ago, state and federal assistance accounted for 35 percent of the city's operating budget."⁹ In 2004, such aid comprised 42 percent of the total.

Since Mayor O'Malley took office in 2000, he has begun to improve Baltimore's fiscal situation. He has systematically restructured government

7 Jamie Smith Hopkins, "Baltimore isn't Working because Its People Don't." *Baltimore Sun*, March 28, 2004.

8 Alternative Revenue Sources and Structures for Baltimore City, Marsha R. B. Schachtel, Aaron M. Glazer, and Michael E. Bell, Johns Hopkins Institute for Policy Studies, August 2002 Initiated by the Baltimore Efficiency and Economy Foundation www.beefbaltimore.org.

9 Ibid.

Table 2: Poverty Rate, Median Income, Unemployment Rate, and Labor Force Participation Rate for Baltimore and Metro Baltimore

Date	Poverty Rate, (percent)		Median Household Income, (1999 dollars)		Unemployment Rate, (percent)		Labor Force Participation Rate, (percent)	
	City	MSA	City	MSA	City	MSA	City	MSA
1969	18.0	11.1	30,851	39,289	4.6	3.4	58.8	60.7
1979	22.9	11.9	29,398	42,949	10.7	6.6	57.0	63.7
1989	21.9	10.1	32,306	49,107	9.2	4.8	60.7	68.5
1999	22.9	9.8	30,078	49,938	10.7	4.9	56.6	66.4

Source: SOCDs Census Data, <http://socds.buduser.org/Census/screen3.odt>

Table 3: Poverty Rate, Median Income, Unemployment Rate, and Labor Force Participation Rate for All Central Cities and all Metro Areas in the U.S.

Date	Poverty Rate, (percent)		Median Household Income, (1999 dollars)		Unemployment Rate, (percent)		Labor Force Participation Rate, (percent)	
	Cities	MSAs	Cities	MSAs	Cities	MSAs	Cities	MSAs
1969	14.3	11.4	43,180	46,303	4.6	4.2	59.1	59.2
1979	16.2	11.5	42,579	48,176	7.1	6.2	62.1	63.1
1989	18.0	12.1	43,149	50,542	7.7	6.1	65.1	66.4
1999	17.6	11.8	44,014	52,754	7.4	5.7	63.4	64.8

Source: SOCDs Census Data, <http://socds.buduser.org/Census/screen3.odt>

using a data-oriented accountability tool called CitiStat that one analyst described as “the cornerstone of O’Malley’s efforts to dig Baltimore out of a crippling budget deficit and to turn around a city that has been teetering on the brink of disaster for a decade.”¹⁰ Under O’Malley’s leadership, the city enjoyed a budget surplus in 2005, its first in decades.

Table 4 shows that Baltimore’s African-American population has been the majority since 1970. Researchers at the University of Maryland noted, “As

10 “Restless for Results,” by Christopher Swope. *Governing*, April 2001.

with many older industrial cities, the decline in the manufacturing economy coincided with a large in-migration of African Americans. Thus, economic and demographic changes were intertwined. Between 1950 and 1990, the racial composition of Baltimore's population changed dramatically, from only 24 percent African American to nearly 60 percent. Baltimore's black population nearly doubled, from 225,099 to 430,935. By 1997, the black population in the city was 65 percent and the white population 33 percent. The growth of the African American population in Baltimore coincided with the massive exodus and suburbanization of the city's white population. Between 1950 and 1990, the number of whites living in the city declined by over 430,000, a decrease of 60 percent. White flight accelerated during the 1970s, with some 135,000 residents leaving the city during the decade. By 1995 only 247,000 whites lived in the central city, compared to 479,837 in 1970. Overall, Baltimore's population dropped precipitously after 1950, while the population of its suburbs surged. In 1950, Baltimore's five suburban counties had a total population of approximately 455,000 residents. In 1990, the same five counties had become home to 1.3 million residents, 86 percent of whom were white."¹¹

Origins of the Equity Agenda

Baltimore's equity agenda began with the election of Mayor O'Malley in 2000. Having served on the Baltimore City Council, he came into office with prior experience and familiarity with city government to inform his vision for turning Baltimore around. Once in office, he brought new market-driven ideas and new young professionals to head city departments. The city's huge structural budget deficit created a real need to change business as usual. This economic crisis also created buy-in for the mayor's market-driven equity agenda.

The sizable population loss in Baltimore, the erosion of good-paying jobs, and the city's lack of financial resources translated into many neighborhoods characterized by vacant buildings, drug dealers, and poor schools. "These neighborhoods," Sarbanes reports, "had fallen into a cycle of decline and absentee ownership and disinvestment that just is very hard to get out of." Mayor O'Malley had presented his "justice agenda" as particularly targeted toward those neighborhoods and focused on reducing crime, increasing drug treatment, and improving the public schools, but he quickly came to believe it would be difficult if not impossible to turn these neighborhoods around without massive public investment. Federal,

¹¹ <http://www.bsos.umd.edu/gvpt/stone/baltimore.html>.

Table 4: Racial and Ethnic Composition, Percent for Baltimore and Metro Baltimore

Ethnicity	Date	City	MSA
White	1980	43.4	72.3
White	1990	38.7	71.1
White	2000	31.0	66.3
Black	1980	54.4	25.3
Black	1990	59.0	25.7
Black	2000	64.0	27.2
Hispanic	1980	1.0	1.0
Hispanic	1990	1.0	1.2
Hispanic	2000	1.7	2.0
Other	1980	1.4	1.2
Other	1990	2.0	1.4
Other	2000	3.3	4.4

Source: SOCDs Census Data, <http://socds.buduser.org/Census/screen3.odt>

state, and foundation money had been focused on these neighborhoods in the past and continues to be directed to these neighborhoods. However, given the city’s limited fiscal resources, the mayor realized that focusing solely on these neighborhoods could not revitalize Baltimore.

The result was a decision to leverage market forces to strengthen “neighborhoods in the middle,” which could be brought back to health through targeted investments to emphasize existing assets and to create incentives for home ownership. “In these neighborhoods,” says President of Healthy Neighborhoods, Inc. Mark Sissman, “the value of the housing has not appreciated consistent with the rest of the region, and many have not appreciated over many, many years. What that meant was that people who had confidence in the city and bought property 10 and 20 and 30 years ago did not have any return on their investment as owners. These neighborhoods were beginning to look frayed around the edges. People weren’t borrowing money to fix up their houses and new families weren’t moving in because there wasn’t a lot of reason to.”

But these neighborhoods were considered to be among the city's greatest assets. According to the David Boehlke, writing for the Goldseker Foundation, "It is absolutely clear that the city needs the social and financial investment that residents of such neighborhoods can offer."¹² The mayor and his new staff believed that turning these neighborhoods around would be the catalyst for Baltimore's revival. According to Carol Gilbert, program officer at the Goldseker Foundation, "The mayor had a sense that you needed to build from strength and you needed to help these transitional neighborhoods."

At this time, several of the local foundations and philanthropic groups, working under the auspices of the Baltimore Neighborhood Collaborative, had been experimenting with a new redevelopment model that worked with transitional neighborhoods to build their asset base. Ann Sherrill, director of the Baltimore Neighborhood Collaborative, remembers using an asset-building revitalization strategy in one neighborhood before HNI began. "We gave Belair-Edison, which is now one of the Healthy Neighborhoods' neighborhoods, a three-year grant for planning and organizing. We didn't have a lot of money, but funders were interested in what role that they could play in stabilizing neighborhoods that seem to be on the edge, that could go one way or another. They were open to supporting a wide range of strategies." The strategy seemed promising and caught the attention of the newly elected mayor.

The mayor announced his new initiative in an October 2000 press release. He described the Healthy Neighborhoods Initiative as "a major shift from the previous administration's strategy of using the overwhelming majority of neighborhood investment into the areas with the greatest needs, without requiring a measurable return. With this new tool, investment will be made where it will have the greatest impact — the greatest return on investment — both in the poorest areas, and in areas where decline can be stemmed with a relatively small investment."¹³ Commenting on this change of direction, Sissman says, "The crafters of this program, which included the leaders of the Baltimore Community Foundation and their consultants and then the neighborhood leaders who bought into this, really meant to do something different in this program than what was done in the past. And they spent a lot of time building the capability of neighborhoods to understand that this was different."

12 Great Neighborhoods, Great City: Revitalizing Baltimore Through the Healthy Neighborhoods Approach, by David Boehlke for the Goldseker Foundation.

13 <http://www.baltimorecity.gov/news/press/001031.html>.

The Healthy Neighborhoods Initiative

“The Healthy Neighborhood Initiative (HNI),” Boehlke wrote, “moves beyond seeing community as a collection of problems and deficiencies and concentrates instead on what is positive in a neighborhood and why people choose to live there. This approach contends that communities decline when people stop investing in their neighborhoods – not only money and resources, but also time and energy.”¹⁴ While the Healthy Neighborhoods Initiative stemmed from Mayor’s O’Malley’s call for a different approach to revitalizing Baltimore’s neighborhoods, for the most part the program itself has operated outside of city hall. Today, most of the partners claim the initiative as their own. Sissman states, “Healthy Neighborhoods is a program that was started at the Baltimore Community Foundation. The Community Foundation and its leadership recognized that Baltimore is a weak market city that is a third smaller than we were 30 years ago. We needed to pay attention to a group of neighborhoods that they would describe as ‘neighborhoods in the middle’ — not the wealthy neighborhoods in the city and not the poorest neighborhoods that have gotten investments by block grants and HOPE VI and the like.”

The HNI classifies neighborhoods using a typology that ranks them as candidates for redevelopment, stabilization, reinvestment, and preservation. Robin Zimble, director of Strategic Planning, Policy and Programs at Baltimore Housing (the city’s housing office) explains, “We employ different strategies within each of these neighborhood categories in order to achieve three specific goals: meeting new residential market demand, ensuring availability and access to quality, affordable housing, and enhancing the quality of life for residents.” All organizations associated with HNI use this typology in their work with neighborhoods.

The two ends of the HNI classification spectrum are preservation areas and redevelopment areas. Preservation areas are “healthy, attractive areas with high owner-occupancy rates and high property values. The housing stock is well maintained and vacancy and abandonment rates are very low. Consequently, these neighborhoods have a relatively low need for intervention in the real estate market; they are thriving and require minimal public investments with the exception of improved public infrastructure and parks.” At the other end of the spectrum are the redevelopment areas, neighborhoods that “have seen significant deterioration of their housing stock and ended up with dense concentrations of abandoned buildings and

14 Great Neighborhoods, Great City: Revitalizing Baltimore Through the Healthy Neighborhoods Approach by David Boehlke for the Goldseker Foundation.

vacant lots. Traditional market forces are not working in these areas, nor are they likely to be re-established soon. Therefore, the goal in these neighborhoods should be to stabilize targeted blocks, remove the surplus of vacant and uninhabitable housing units, and create new uses such as recreational amenities, retail and employment centers.” The city’s strategy in these areas is to acquire vacant land and houses and conduct “whole block demolition, conventional and scattered site public housing rehabilitation, and CDBG/HOME funded affordable housing initiatives.”¹⁵

HNI targets the two middle categories of neighborhoods, the stabilization and reinvestment areas. The city’s typology notes, “Stabilization neighborhoods are mostly found in the outer ring of the city. These neighborhoods have homeownership rates nearly as high as preservation areas and vacancy rates nearly as low. However, median values in these neighborhoods are appreciably lower than in preservation areas...and the real estate market is not quite strong enough to respond to scattered problems and the images of the neighborhoods suffer accordingly, exaggerating the initial problem. Also, unlike preservation areas, many of the homes in stabilizations areas are not maintained and upgraded to the modern standards of the housing market.” In the city’s view, “targeted interventions, such as intervention buying, code enforcement, and selective demolition, in these neighborhoods will have a tremendous impact in these neighborhoods.” The reinvestment neighborhoods “have moderate real estate values, average homeownership rates, and substantial vacancy rates, although not as substantial as redevelopment areas. Without intervention these neighborhoods could find themselves with widespread vacancies. However, with targeted interventions, such as side yard strategies¹⁶, these neighborhoods can build off their strengths to become stable neighborhoods.”¹⁷

Robin Zimbler describes the neighborhoods in the middle. “These neighborhoods aren’t the neighborhoods that have high vacancy rates. They aren’t the neighborhoods that have the majority of residents living in poverty. They are in-the-middle neighborhoods that need some strategic, targeted investments so that they don’t become the redevelopment neighborhoods, which are the neighborhoods that have higher poverty rates, higher vacancy rates, higher crime rates, and poorer schools. Healthy Neighborhoods is really aimed at meeting new residential market demand

15 <http://www.baltimorecity.gov/neighborhoods/snap/typology.html>.

16 This entails selling a vacant lot to the adjacent neighbors for use as a yard at the side of their house.

17 <http://www.baltimorecity.gov/neighborhoods/snap/typology.html>.

and helping these in-the-middle neighborhoods remain strong.” HNI uses five main programs to do this work: a loan pool for mortgages or home improvements; neighborhood-based project support of \$3000 for each neighborhood annually; first mortgage commitments from participating private lenders; operating support of up to \$40,000 for selected neighborhood-based groups; and technical assistance from non-profit and city partners to assist in marketing, design, planning and data analysis.¹⁸

Strategies and Approaches

Use of Best Practices

HNI is modeled on a Battle Creek, Michigan, initiative called Neighborhoods, Inc. According to Gilbert, “We worked with David Boehlke, who was the executive director of Battle Creek’s Neighborhoods, Inc. He was really the initiative strategist in the early years. He worked with our neighborhoods to refocus their approach. Instead of focusing on deficits, they reoriented their neighborhood strategy to focus on their neighborhood assets, whether it was their historic home stock or a nearby park or other amenity that made them unique and marketable and attractive to investors. So it’s an asset and investment-oriented approach to neighborhood development.”

Although Boehlke helped to create HNI in Baltimore, by necessity the two cities took different approaches to the model. The W. K. Kellogg Foundation had provided much of the funding for the Battle Creek program, but as Sissman explains, “We do not have a foundation here like Kellogg that can fund everything. We, from the very beginning, have had to involve ourselves in classic public/private partnerships. We’ve got a loan fund and we’ve got all sorts of monies. In the aggregate, what we’ve done is really make it much bigger than anything our consultants or the neighborhoods thought about at the beginning. What we’ve done is take the Battle Creek model, but make it public/private partnered and bigger scale.”

Use of Data

The use of data acts as a foundation for actions under Baltimore’s equity agenda. Baltimore officials developed their neighborhood typology through sophisticated data analysis based upon several data sets concern-

18 In the fall of 2003 a decision was made to continue the Healthy Neighborhoods Initiative, bring it to scale and create a permanent institution to manage the program. Healthy Neighborhoods, Inc., was organized, a board was appointed, and a president recruited. After the fall of 2003, HNI stood for Healthy Neighborhoods, Inc., rather than Healthy Neighborhoods Initiative. The city of Baltimore and various departments remain key partners of the program.

ing housing markets in the city. Some data, including assessed home values, percent vacant homes, and estimated home ownership, came from Baltimore City's Real Property Database. Cluster analysis was used to divide neighborhoods into the four categories.

From the beginning, Mayor O'Malley was unwavering in his commitment that the equity agenda as well as other city services in Baltimore be held to high standards of accountability and transparency. The mayor's CitiStat process is the key mechanism for ensuring this. CitiStat, based on the New York City Police Department's Compstat system, is used to track performance of city staff. According to the city's website, "CitiStat is how the mayor runs the city. Strategies are developed and employed, managers held accountable, and results measured — not yearly, quarterly, or monthly, but week to week." All city departments are required to submit data weekly to the CitiStat Team, who then prepares briefs for the mayor and his deputies.¹⁹ Council Member James Kraft says, "CitiStat is tremendous. It shows what a good idea and a good use of modern technology can do because it applies to all the different departments around the city. You bring the team in every week, you go through CitiStat, you can look at the numbers, how many complaints were in this area whether it's DPW, sanitation, or police. The team might say, 'Okay, look, last week we had these issues in this area. You were supposed to clean them up, but they are still here.' It has been tremendous and it's something that's actually being modeled in other cities."

Use of Collaborative Partnerships

The Healthy Neighborhoods Initiative itself has always been a collaborative effort between city government, the Baltimore Community Foundation, the Goldseker Foundation, the France-Merrick Foundation, and other public and private organizations.

One of the principles of HNI is to forge partnerships among lenders, philanthropies, and neighborhoods. HNI provides capital to help homeowners or potential homeowners to rehab or purchase their homes, promotes community projects that support positive images of the neighborhood, and also provides marketing and performance measures to neighborhoods. The city contributes by providing capital to acquire and rehabilitate homes, providing key city services, acquiring vacant properties, and supporting community partners.²⁰

¹⁹ <http://www.ci.baltimore.md.us/news/CitiStat/index.html>.

²⁰ <http://www.healthyneighborhoods.org/downloads/hnistory.pdf>.

Another partnership important to the success of HNI is the Baltimore Neighborhood Indicators Alliance (known as BNIA or the Alliance). The Alliance is an organization committed to helping people make better decisions by making neighborhood-level data available and providing the technical support needed to make the data understandable by anyone. As the BNIA website notes, “This unique Alliance builds on and coordinates the related work of citywide nonprofit organizations, city and state government agencies, neighborhoods, foundations, businesses and universities to support and strengthen the principle and practice of well informed decision making for change toward strong neighborhoods, improved quality of life, and a thriving city.”²¹ HNI contracts annually with the Alliance to evaluate and report on the impact the initiative in targeted neighborhoods.²²

Strategies for Engaging Residents

Two key principles of HNI are that responsibility for community development extends beyond city government, and that city government will support neighborhood leaders who are working to help themselves. One of the criteria used to choose the initial ten target neighborhoods was that each neighborhood organization had to speak with one voice and prioritize their wants and needs.²³ Mark Sissman explains, “There was literally a competition at the beginning about which neighborhoods ought to be part of this. Among the standards were that you needed a community organization with a functional staff and a real estate market that was not too good and not too terrible.”

“Once the neighborhoods were chosen,” says Sissman, “HNI did a lot of investment in training and capacity building to get these ten neighborhood groups to begin thinking about real estate values as a social indicator. So it isn’t unusual in community meetings for people to talk about who was selling houses and for how much. We empowered most of them with the ability to go online and check sales data.” Sissman adds that one of the challenges was to increase the comfort level of neighborhood leaders with real estate sales data. “Neighborhood leaders have come to realize that organizing the neighborhood around problems doesn’t work very well to bring new buyers in. Complaining about the vacant properties

21 <http://www.bnia.org/about/index.html>.

22 <http://www.healthyneighborhoods.org/downloads/bniareport.pdf>.

23 <http://www.ci.baltimore.md.us/neighborhoods/neighbstrat.html>.

and the crime rate and a hundred other things only convinces a lot of people not to move into the neighborhood. And so there is a language and a spirit of positive marketing in the neighborhoods that is really unprecedented in Baltimore.”

Council Member Mary Pat Clarke states, “One of the best things about Healthy Neighborhoods is its organizing component, because it really breaks neighborhoods down block by block and relies on block captains and leaders. And that’s where you really need to be. It’s at that grassroots level that you can intervene and help somebody buy a house, or get a vacant or unoccupied house put back into active use. You really need to be at that level to be able to make a difference.” Council Member Kraft agrees, “The more you empower people, the more responsibility you give them, the more people you bring in, the more that people respond to you. You win these battles block by block, neighborhood by neighborhood.”

The Role of City Hall

Local Elected Officials

Given Baltimore’s strong mayor system, the mayor’s use of the bully pulpit is vital to the success of the equity agenda. “This is a mayor-controlled system,” says Council President Sheila Dixon. “The mayor could have worked to just get his ten votes or whatever is needed, and ignore a social agenda. But that wouldn’t happen with the kind of mayor that we have and the kind of council we have.” Sissman agrees, saying “Baltimore has a very, very strong mayoral form of government. What the mayor wants, the mayor gets. In general, it’s the mayor that’s the lead entity. ... and O’Malley has been very good about supporting this kind of work.”

Speaking of the mayor, Kraft says, “He’s really been pushing to try to get money and work for people to develop the west side of the city. If that were to happen, that economic growth would overflow and help stabilize some of the neighborhoods there. ... The mayor has really focused on that, trying to get state and federal money.” At the same time, he adds, the mayor is focused on results. “Our mayor is pretty blunt about things—‘What’s going on here? We’ve been trying to fix this for six months. I keep getting the same report. Who’s in charge here?’” Zimble also emphasizes the mayor’s results orientation. “Our mayor has been instrumental in setting of high goals for agencies and really holding the agencies accountable to achieving those high goals. Living in the city, you definitely see the changes.”

Kent Marcoux appreciates O'Malley's high level of sophistication and his market-oriented way of looking at neighborhood and community development. "This is a function of the people that he hired, the authority delegated, a way of doing business that felt more like business without tipping over into a pure private sector approach. It felt like in many instances a very exciting, somewhat unique blend of the best of private and public sector approaches and thinking. The mayor has boundless energy and is somebody who likes to get stuff done."

Where past mayors and councils typically disagreed about how to revitalize Baltimore neighborhoods, the current Baltimore City Council has supported the mayor's equity agenda by passing appropriate legislation. Council President Dixon explains, "Today, the council and the administration equally agree on what the agenda to move forward is. That has not happened in the past. The council, the legislative body, was always so disconnected from the mayor's office. So in a lot of ways, things didn't happen or mayors in prior administrations used their authority to do what they wanted and did not take into consideration what the council and the legislative body thought. This has changed. Today, the mayor and I really work closely with each other."

If anything, the success of HNI has motivated council members to push for the program's expansion. Clarke says, "I use my energy in terms of that program to try to get it to expand more into neighborhoods of my district. Because once it's there, it really promotes itself."

Administrative Staff

One principle of HNI is that all major city agencies, not just housing, community development, and planning (HCD&P), will participate in developing and implementing neighborhood strategies. The Baltimore Development Corporation (BDC) in particular works closely with HCD&P. BDC President, M. J. "Jay" Brodie points out that BDC's Mainstreet Program shares objectives and philosophy with HNI. Through the Mainstreet Program, BDC has developed new or expanded existing grocery stores during the last five years. "The Mainstreet Program targets older commercial areas along strip streets," Brodie explains. "They are very much tied to the Healthy Neighborhoods concept because the belief is you not only need better housing stock, you need better shopping in your vicinity so you could even walk there or take a bus and not have to get in your car and drive to a suburban mall."

Financial Resources

The city has financed its contribution to HNI largely through bond funds. In recent years, Baltimore residents have passed bond issues for community development, streets, hotel construction, and a variety of other purposes. These bonds are allocated to the various departments to carry out related projects. HNI also has utilized CDBG funds in qualifying neighborhoods. “The Healthy Neighborhoods sites get a very significant amount of support for their operations,” says Goldseker Program Officer Carol Gilbert. “Not all of them, but most of them do get a significant CDBG operating grant.”

The city’s contributions to HNI leverage those of its partners. This has been true from the very beginning, when the Enterprise Foundation contributed \$500,000 to help the program begin in early 2000. By August of that year, the partners had invested a total of \$3,000,000 in the 10 targeted neighborhoods.²⁴ Today, over 50 partners contribute to the program. By the end of 2005, these partners had created a \$38 million loan fund used to offer below-market mortgage and home improvement loans to the targeted neighborhoods.²⁵ Partners also give operating support and other funding to activities in the HNI neighborhoods. One example described by Ann Sherrill is the operating support provided by the Baltimore Neighborhood Collaborative to a number of groups operating under the Healthy Neighborhoods Initiative.

In addition to helping to fund HNI directly, the city has started an affordable housing fund that supports all neighborhoods, not just those served by the program. The city finances this fund through monies that had been earmarked in earlier development projects. “When the Hyatt was built in the Inner Harbor around 1980, the city negotiated for a profit sharing of the hotel once it was up and running,” Brodie explains. “That has produced a revenue stream that is helping to fund this \$59 million affordable housing fund. There are other similar kinds of projects that are also creating revenue streams that are going into the fund.”

Outcomes

People and Places

Healthy Neighborhoods, Inc. cites the following as indicators of HNI’s success: increased home values, rising tax base, decreased time on market,

²⁴ <http://www.enterprisefoundation.org/newsroom/archives/pressarch.asp?ID=207>.

²⁵ “To spur stagnant neighborhoods in Baltimore new group offers cheaper money,” Daily Record, November 2, 2005.

Ongoing City Hall Programs that Support the Equity Agenda

Small Business Incentives

- The Mayor's Office of Minority Business Development works with minority-owned and women-owned businesses to expand their opportunities and help them grow. A local contractor development program assists local companies with technical assistance and bonding as related to construction projects with city agencies. <http://www.ci.baltimore.md.us/government/minority/index.html>

Public Safety Services

- The Shop with a Cop Program pairs 60 children with 60 Baltimore police officers. The children get \$100 and the teams spend it together during a daylong shopping trip. <http://www.baltimorepolice.org/>
- The Juvenile Intervention Program involves police officers who organize field trips, hold weekly meetings and spend time at youth centers in an attempt to educate and inspire young Baltimoreans and provide positive adult role models for kids who don't always have them readily available. <http://www.ci.baltimore.md.us/neighborhoods/nnf/060324.html>

Wealth and Income Building Initiatives

- Neighborhoods First is a 30-minute cable television program that provides information on government programs designed to benefit and strengthen neighborhoods. The show features community-based organizations and non-profits throughout Baltimore that are helping to stabilize neighborhoods through information sharing, revitalization planning or community-wide activities. <http://www.tv25baltimore.com/programs/programDetail.phtml?showID=neighbor>
- The Living Wage Ordinance requires government to pay a legislatively determined wage, currently \$9.06 per hour, to workers in all government service contracts. A Wage Commission was established to conduct annual studies using federal poverty guidelines to set the rate. <http://www.baltimorecity.gov/government/wage/index.html>

increased equity investments, and neighborhood organization and activity. The Baltimore Neighborhoods Indicators Alliance (BNIA) compiled an independent assessment of HNI that concluded, "The initiative is one of the many factors contributing to the improvements in the neighborhoods in which the program exists. More importantly, the people who live and work in these areas know this is true. Ongoing discussions and meetings with the staff, volunteers, neighbors and others in the designated HNI target areas support these claims. Regardless of how the HNI approach has been implemented, each neighborhood has benefited in different ways from it and, in turn, the HNI approach is working in different ways to help

each of the neighborhoods move closer to their ultimate vision of what their respective neighborhoods can be.”²⁶ BNIA also found that the rate of increase in median sales prices in these neighborhoods is larger than the rate of increase in the city as a whole. The percentage of homeowners making investments in rehabilitation activities is increasing in these neighborhoods each year.

This program does not just affect the quality of life in the neighborhood, but also increases wealth for homeowners. As HNI President Mark Sissman says, “The social benefit is that we are building equity for the long-term for low and moderate-income homeowners in the neighborhood. That is, if the average house price goes up by \$30,000 in a place, then somebody’s house is \$30,000 more valuable in the neighborhood. And that will ultimately give that family more resources to work with, not only on their house.” Sherrill’s organization helps these homeowners understand the impact of appreciation of homes on their financial futures. She says, “We really help develop an understanding among residents about what equity is and what their investment in their own home or their own park really means to their long-term financial well-being.”

These successes have ramifications beyond the HNI neighborhoods, impacting the economic health of the entire city. In 2004, Sissman expected that when HNI neighborhoods got to scale it would make a significant impact. “Recent data tells us that the homeowners in Baltimore’s undervalued neighborhoods may have failed to realize more than \$1 billion dollars in equity due to stagnant housing values during a rapidly rising real estate market. This translates into \$24 million in lost city tax revenues annually. Healthy Neighborhoods aims to reclaim those dollars.”²⁷ Civic leaders in Baltimore strongly assert that HNI has indeed achieved this outcome. “We’re seeing millions of dollars of benefits from rising residential values,” says Gilbert. “After four years, home values have risen higher in the target areas for Healthy Neighborhoods than in Baltimore overall. People are recognizing that home equity and home value are important for the homeowner, for the neighborhood and for the city as a whole. This year, for the first time in many years, there is a budget surplus in the city from rising real estate values. And the city is now able to use some of that surplus to focus on some critical needs that it would not otherwise have been able to invest in high poverty neighborhoods.”

26 “Healthy Neighborhoods Initiative Neighborhood Profiles, 2004 Report,” by The Baltimore Neighborhood Indicators Alliance, June 29, 2005.

27 http://www.abagmd.org/info-url2446/info-url_show.htm?doc_id=225554.

The surplus in the city's budget has allowed Baltimore to re-focus on issues of crime and education. In his 2006 State of the City address, Mayor O'Malley stated, "Ten years ago, 20,000 of our neighbors fell victim to violent crime. By 2005, the number of our neighbors falling victim to violent crime had been driven down to 11,000 — its lowest level in our city since the 1960s....10 years ago, Baltimore's schools were in crisis — a crisis, which in 1997, led to the current city-state partnership, with all its pros and cons. That year, the high school graduation rate stood at 42 percent. Through hard work, our city's high school graduation rate now stands at nearly 60 percent."²⁸

Others agree that the mayor's efforts have had real results. Zimbler says, "I think we've made great strides in the crime and grime area in terms of improving the quality of life for people. I really think that that's the number one issue in quality of life in Baltimore City: crime and grime." Dixon also sees important outcomes in this area. "Over the last five or six years, we've increased drug treatment, and found new ways of dealing with drug addiction as a holistic issue, which has in turn, positively impacted families and the economy of the city."

City Hall

Baltimore's equity agenda has significantly changed the way city hall does business. The administration has largely achieved its goals of accountability and transparency through the implementation of the CitiStat program, which has transformed how all city agencies operate. As the mayor says, "Through CitiStat, we are relentlessly replacing patronage politics with performance politics. Because of CitiStat we have saved more than \$350 million, helping us to turn those deficits into surpluses. Customer service surveys, data-measured performance across the array of vital city services, progress and setbacks measured not just by inputs, but by outcomes: this is the dashboard of management that no prior mayor had at his disposal. And it is the critical new tool that every future mayor of Baltimore will have to drive progress."²⁹

As described by one editorial, CitiStat includes a "311 number residents can call when they think they're not getting what they pay for in city services and for non-emergency issues. The process relies on the proven management idea that what gets measured gets done and bosses need to

²⁸ 2006 State of the City address.

²⁹ Ibid.

inspect what they expect. From repair of potholes to disposition of abandoned buildings to cleanup of disgusting alleys, from effectiveness of sewage screens and to crime and police resource deployment and lots more, our city executives set goals and track turnover, overtime and job performance.”³⁰ Brodie adds, “CitiStat made a difference in the way city government operates and the way citizens interact with city government. CitiStat doesn’t know if when you call with a problem you’re black or white or rich or poor or Republican or Democrat. It just knows you’ve got a problem. And so it’s equal, but better treatment.”

Challenges

Political Challenges

The ultimate political challenges facing Baltimore’s equity agenda will be to determine how to maintain a focus on the needs of lower income residents while at the same time servicing the newer residents moving into the city’s revitalized neighborhoods. Many of the newer residents arrive with very different expectations and backgrounds than existing residents. As Carol Gilbert says, “One aspect of the Healthy Neighborhoods strategy is to encourage higher-income people to move into the neighborhood. If one just focuses on that, the existing residents would not necessarily benefit. But the neighbors themselves are speaking in support of this work because it’s not just about clearing out bad elements, it’s also about having new investment and new voices come in to help strengthen their neighborhood. And I think that’s playing out in such a way that neighbors from diverse populations are speaking on behalf of Healthy Neighborhoods. There are still tensions, however, between this approach and others that are strictly focused in high-poverty neighborhoods. But you do have to have something to build from. A neighborhood that’s full of vacant lots just needs a different strategy than this one.” Michael Sarbanes, however, is skeptical that such a strategy exists. “There isn’t a mix of services that I can think of that’s going to make the neighborhoods where poverty is highly concentrated into good places to live.”

On the other hand, there are neighborhoods considered to be in the low-income redevelopment category that could benefit from the programs associated with the HNI. Council Member Clarke explains her frustrations in representing a district that doesn’t quite meet the criteria for the program. “You have to have certain income levels and home ownership lev-

30 http://www.examiner.com/a-127885%7EEditorial__Why_not_a_statewide_CitiStat_.html.

els to be in Healthy Neighborhoods. I have a couple of neighborhoods in my district that just don't quite make it, but they're not in such dire straits as to require major overhaul. And they've been frustrated and I've been frustrated because what we see is that if you could help us now while the market is good, if you can just give us a little help, we can get to market economy. You know, we could get to helping ourselves effectively. But we need some major help to get to the starting line."

Racial Challenges

As a majority-minority city, Baltimore has significant challenges around issues of race and ethnicity. Clarke says, "There is a lot of racism in Baltimore, a lot of segregation, certainly in housing. And in our surrounding jurisdictions to a large degree are people who ran to get away back when we were losing population after *Brown v. Board of Education*. We're surrounded by people who ran away." Council Member James Kraft sees issues of race played out on the council and in the city more generally. "The overriding issue is race. It is the number one issue in Baltimore."

Given this context, Faith Fund, Inc., Executive Director Kent Marcoux recognizes the importance of incorporating issues of race into an equity agenda. "There is a race and class foundation that underlies an equity agenda, and if that isn't recognized explicitly in some form, no long-term equity will ever be achieved. It doesn't mean that you have to start with it. But it does mean that you can do a whole lot of work around an issue and walk away, and six months later, it could all be for naught." Sarbanes agrees the city must tackle the issue of race. "If you are going to pursue an equity agenda, then you have to talk about race. In this regional context, you have to talk about it. Here, racial segregation has been replaced by spatial segregation. Some think that's not a legitimate conversation, because it's just about where you live, which is race-neutral. If you can't get beyond that conversation, it's very difficult to come up with any solution to it."

The recent redistricting of Baltimore's City Council, which affects how resident interests are represented on the council, may intensify the racial challenges. Before 2002, the council had 18 members, with three members elected from each of six districts. Following the changes approved by voters that year, the restructured council has 14 members, each elected from a single-member district. The council president continues to be elected city-wide. The first Baltimore City Council under the restructured system was seated in December 2005. Mary Pat Clarke says, "It will be the second

election after the redistricting that really makes the difference. The last redistricting was in the normal 10-year redistricting to equalize population. In that one, the council led the effort to redraw the mayor's map to be more racially equitable. We had a majority African-American city, but the district lines then were drawn so as to minimize the election of African-Americans to the council." It still is too early to know whether the redistricting will ease or intensify the racial politics surrounding the equity agenda.

Economic Challenges

The serious economic challenges that plagued Baltimore for the past three decades have left city leaders with a desperate need to increase the city's tax base, along with an understanding that a focus on the city's poorest neighborhoods is not going to achieve that goal. Therefore, Baltimore has decided to focus on the neighborhoods in the middle, where real estate values have the potential of increasing. But these are not the neighborhoods with the greatest need. City officials worry that the resources available to address problems in those high-needs will remain woefully inadequate to effectively meet those needs, even if Baltimore's economy grows. Thus, in Baltimore, "talking about development elicits both optimism and concern. People are excited that Baltimore is achieving economic progress and that there is growing interest outside of Baltimore to move into the city. There is also great concern that many who already call Baltimore home will not have the opportunity to be part of this economic progress."³¹ As Sarbanes says, "I think that there's a very basic question as to whether what the city wants is a healthier city because more middle class people have moved back in so the tax base is stronger. That's not an equity agenda. In fact, if the city's tax base gets stronger relative to the county, to me that's not an equity agenda, really."

Ann Sherrill also recognizes how the economic challenges interact with the equity agenda. "HNI has helped attract a middle-income group back into the city that wasn't here. But, it's still a fairly racially divided city, and I think there's a lot of tension. There's still a lot of concentrated poverty. The mayor has tried to deal head-on with some of the addiction issues and has increased funding for substance abuse treatment. But he's limited in the resources that he has in the city. One of the things that's good about attracting a middle-class back to the city is that the real estate coffers are up, the property taxes are up, and he has more money at his disposal to implement programs."

31 http://www.baltimorecitycouncil.com/inclusionary_zoning.htm.

Jurisdictional Challenges

Sarbanes recognizes the potential for Baltimore to be an asset to the economic vitality of the region. “This city and this region, I think, has enormous potential,” he says. “I think we’re at a real crossroads now.” However, he fears that the city lacks the necessary leadership to change Baltimore’s relationship with its suburban neighbors. “We have a very weak Baltimore Metropolitan Council. You’ve got to have leadership at all levels to do this – national, state, regional, and local. From my perspective, we’re 0 for four.”

Sherrill talks about a plan for a new regional rail system. “The mayor and the county execs have taken a real leadership role in helping to move that forward in terms of securing state and federal dollars, and working with the business community to advance on it,” she says. “It could really connect east and west Baltimore. A lot of people see that as a key corridor to connect people in those communities to employment opportunity. I think it’s a real opportunity to revitalize those sections of the city.” Despite this great potential value, the region must surmount many challenges to make this plan a reality. “A lot of our suburban counties don’t want our people coming out there,” says Kraft. They don’t want transportation to go out there. That’s been one of the biggest hurdles to public transportation in this area for decades.”

Sarbanes isn’t the only one who sees Baltimore’s potential. The ongoing housing shortage in the outlying areas of metro Baltimore creates an opportunity for continued population growth in the city. Yet, the *Baltimore Sun* writes, “Baltimore still has to overcome major challenges that helped to drive residents away. One of the most violent cities in the nation, it has a chronically underperforming school system, rampant drug addiction and the highest property tax rate in the state. It must make headway on a variety of fronts if it hopes to attract large numbers of residents and keep them, experts say. A housing shortage that limits options in Baltimore’s five suburban counties isn’t by itself enough to entice local workers into the city, because they can push outward — to Pennsylvania, the Eastern Shore or Delaware. And they’re already doing so.”³²

Sustaining the Agenda

The CitiStat program and the new way of operating in city hall both should help to insure the sustainability of the equity agenda. Council

32 <http://www.baltimoresun.com/business/realstate/bal-te.bz.baltimore25jul25,0,7215062.story?coll=bal-home-headlines>.

President Sheila Dixon believes that the best way for a government to assure sustainability of any program is to create a system where it doesn't matter who holds office. "In the long run, you want to create systems," she says. "You want to eliminate the politics as much as possible to move the agenda forward. This can be done if people understand what the bigger picture is and do not focus only on their own neighborhood or their own issues."

Zimbler believes that the agenda is sustainable because the mayor has institutionalized it in city hall. She says, "A lot of what he has started is institutionalized now within the different agencies. I think that regardless of who the next mayor might be, a lot of the departments themselves will still be pursuing that agenda. An example from housing would be the Project 5000 Initiative. Before, we hadn't acquired more than 200 properties in a year, and now we've got this goal to acquire 5,000 properties in two years, and we didn't stop at 5,000 properties. Our disposition efforts didn't end once we acquired 5,000 properties. We're now at 2,000 every year, and that's pretty much been institutionalized now within our agency. So while I think a lot of agency work will continue, regardless of who the mayor is, we will still need to have a strong mayor with a lot of energy and bold ideas. Mayor O'Malley has energized not just the city departments, but a lot of the people that we work with outside of city government."

Energizing partners outside city government has been another key step in institutionalizing the agenda. Indeed, the private sector now substantially drives HNI. Gilbert says, "While there is financial support from the city and also mayoral participation in different events related to the Healthy Neighborhoods, because it's housed at the Baltimore Community Foundation, it is probably at this point more foundation-led."

Conclusion

Baltimore's equity agenda is based on increasing real estate values and the marketability of its housing stock in its neighborhoods that are neither thriving nor on the brink of desolation. Baltimore's leaders view this strategy as a long-run investment in the future of their city. Council President Dixon says, "With an agenda like this, you're not thinking about the present, but you're thinking about the legacy that you're going to leave for the next generation. When you can take on an agenda like this, you may not have an immediate impact on a person's life, but you have an impact on a generation of people's mindset and thoughts and patterns to wipe away the thinking that one just has to survive and accept living in poverty. We have to create a generation with the hopes and dreams to move on to the next level."

Clarke also talks about the importance of breaking the cycle of poverty. “If a city has success but its people don’t share in that success, it’s not worth having. It’s about the success and empowerment of people. If you bring a new business into town and they bring all their employees with them, well, you haven’t benefited the people here who are looking for work. So you spend a lot of time, and yes, you’ve increased the tax base, and that will help. Basically, the city’s future depends on the people who live here and their ability to support themselves, educate their children, and break the cycle of poverty.”

Brodie believes that city government can lead in this effort. “People should look toward their city government as leading them toward a more humane and just society,” he says. And if city government is not at the forefront of that, then I think the suspicion is that they don’t care, no matter how many other people of good will are working at it. You can’t replace mayor or council leadership for this kind of effort, in my view. You can have all the business groups you want and all the civic groups you want, but it’s not the same.”

Dixon agrees that the city’s role is critical. “It always will come back to, what is the city doing and what is the city’s role in this. So it comes back to us. But we’re not doing it in isolation. We are doing it with partners, because a lot of those partners can’t do it alone. It might take changing the legislation. It might take funds from local, state or federal government, funds passed through the local jurisdiction. A foundation can’t do it completely. Everything is local.”

NOTE: The research for the Baltimore city story was conducted in September and October of 2005. The names of elected officials and others who were interviewed in this case study are accurate for this period.